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## DAIRY PRODUCTS

Major emphasis of all OMS dairy programs during the year was on plans and actions to encourage the maintenance of a high level of milk production and the utilization and distribution of this milk and its products in accordance with war needs. Highlights of the principal developments were:

1. An all-time record in farm milk production of 120.6 billion pounds was achieved during the year ended June 30, 1945 in the face of farm labor shortages and other production problems. Farmers were aided in this accomplishment by direct dairy production payments of about 450 million dollars.
2. The total supply of milk products for human food was increased further as more farmers changed to the delivery of whole milk instead of farm separated cream, thereby making available for human food the equivalent of an additional 400 million pounds of nonfat milk solids previously retained on farms as skim milk. These additional milk solids became available largely in the forms of whole milk, whole milk products, and nonfat dry milk.
3. Changes from the previous year in the utilization of milk included further slight increases in civilian consumption of fluid milk and substantial increases in the production of Cheddar cheese, evaporated milk, dry whole milk dry ice cream mix, and nonfat dry milk. These changes were accompanied by a decrease in the production of creamery butter.
4. Distribution controls of various kinds were continued so as to implement allocation of the available supplies of milk and its products among civilian military, lend-lease, liberated areas, and other uses, in accordance with the relative wartime needs. Principal controls were the War Food Orders limiting civilian supplies of fluid milk and cream, ice cream, non-Cheddar cheeses, and certain dry milks, and the War Food Orders requiring specified percentages of the production of butter, Cheddar cheese, and nonfat dry milk to be set aside for sale to military and other war agencies. Civilian rationing of butter, cheese, and evaporated milk was also continued. These controls were adjusted and coordinated with seasonal changes in production and Government procurement operations so as to accomplish reasonably even distribution of civilian supplies throughout the year and to aid orderly procurement of supplies to meet military and other needs.
5. Liberation of Europe resulted in an increase in the combined military, lend-lease, and liberated area needs for dairy products. Food for liberated areas was an urgent need to be considered in developing allocations of available supplies.

Expansion in whole milk receiving and processing facilities continued during the year. The large scale shift by farmers from cream to whole milk deliveries, however, resulted in problems of handling and processing all of the available whole milk or skim milk in some areas, particularly at the





seasonal peak of production. Significant loss of milk was avoided by continuous attention to these problems and work with WPB and equipment manufacturers on deliveries of equipment to meet critical needs. It was necessary also to work with other Government agencies and manufacturers, directly and through field representatives, on problems of labor for processing plant materials and supplies, transportation and diversion of milk between plants. Because a further large scale shift by farmers from cream to whole milk deliveries likely would result in supplies of whole milk in excess of plant processing capacity and in a further diversion of butterfat from butter production, the production payment rates to farmers for whole milk versus butterfat in cream were substantially equalized on April 1, 1945, in accordance with legislation relating to such payments. This action should tend to slow up the shift from cream to whole milk deliveries.

An increased proportion of the total milk supply was consumed as fluid milk and manufactured into dairy products other than butter while a decrease proportion was made into butter. Civilians received more whole milk and whole milk products and less butter. This development was largely the result of relatively lower prices for butter (plus roll-back subsidy on that product) than for many other dairy products and uses of milk. It was also due in part to the larger production payments to farmers for whole milk than for butterfat, and the impracticability of completely controlling all uses of milk and cream. Specific actions taken to check the decline in butter production included the continuance of limitation orders on other uses of milk, and a substantial increase in the production payments to farmers for butterfat in farm separated cream were increased.

#### Market Studies

Detailed analyses of developments in the production, utilization, prices, civilian demands, military requirements, and other needs of milk and dairy products were continued during the year. These included special studies of price and supply relations needed in developing wartime and possible post-war readjustments. Periodic estimates of prospective supplies for use in developing allocations were made in cooperation with other agencies. Detailed and continuous analysis of supply and requirements data was necessary in developing proposed allocations and necessary implementing orders.

At the last annual meeting of the National Cooperative Milk Producers Federation, Inc., a resolution was passed authorizing the setting up of a committee to study the evaporated milk problem and to consider the possibility of an order program. An agreement and license issued prior to the time when the Agricultural Adjustment Act was amended to provide for the issuance of orders, has remained in effect without change, since June 1, 1935. Conferences were held with this committee and an extensive study has been started preparatory to reconsideration of this regulation.





## Dairy Production Payment Program

Direct payments to individual milk producers on milk and butterfat, begun in October 1943 in lieu of increases in price ceilings, were continued throughout the year in order to encourage producers to maintain a high rate of milk production.

The rate structure was maintained with the same regional differentials in the rates on whole milk as had been previously established. In the Midwest, the basic rate was 35 cents per hundredweight of whole milk for the summer months of 1944; 60 cents for September 1944 through April 1945, and 25 cents for May and June. Rates for other areas ranged from 10 to 30 cents per hundredweight higher. The rate of payment on butterfat, which was the same in all parts of the country, was 6 cents per pound during the summer of 1944, and 10 cents per pound for the period September 1944 through March 1945. In order to discourage further diversion from deliveries of farm separated cream to whole milk and to comply with congressional action regarding equalization of milk and butterfat rates, the rate of payment on butterfat for the second quarter of 1945 was increased over the rate for the same period of the preceding year. The rate was 17 cents per pound in April, and 10 cents per pound in May and June.

In addition to the payments stated above, beginning in some areas on August 5, 1944 and in other areas on September 1, special payments of 10 cents per hundredweight of milk and one cent per pound of butterfat were made in certain areas seriously affected by drought in the eastern half of the country. In the more seriously affected areas, the winter rates also became effective August 5 rather than September 1 as scheduled. These drought payments were discontinued March 31, 1945.

During the fiscal year payments amounting to about \$450,000,000 were made to nearly 2 million producers. This compares with about \$224,000,000 paid to about the same number of producers during the nine months from the beginning of the program through June 1944. The average rate of payment during the fiscal year 1944-45 was about 56 cents per hundredweight of milk and nearly 10 cents per pound of butterfat, as compared with about 43 cents for milk and nearly 6 cents for butterfat in the first nine months of the program.

Payments were made by County AAA Committees acting as agent for CCC in accordance with policies and provisions recommended by the Dairy and Poultry Branch.

It was necessary to continuously analyze rates in order to maintain a pattern of payments which would effectuate the purpose of the program, and to study the operation and effects of the program so as to develop and recommend desirable changes in policy or emphasis. Numerous problems developed in the operation of the program. These included detection of false applications arising through producers changing the evidence of the quantity of milk sold or adulterating milk by the addition of water. It was necessary to work out a system of cooperation with the AAA and the Office of Investigatory Services to develop methods of investigating false claims and to establish bases and methods for discouraging further falsification.



Other problems arose in connection with relative rates of payment for milk and butterfat and concerning desirable adjustments in such ratios. Continuous study was required to assure that proper relationships would be maintained.

### Cheddar Cheese Production Payments

Special payments by Commodity Credit Corporation to manufacturers of Cheddar cheese were also continued during the year. These payments enabled the factories to pay prices for milk necessary to maintain the increased production of cheese for military, lend-lease, Red Cross, and civilian uses. The payments continued at the basic rate of 3-3/4 cents per pound subject to adjustment for moisture content of the cheese. They were made to approximately 1,870 factories on 827 million pounds at a net expenditure of approximately \$18,100,000.

The payments were started in December 1942 in lieu of an increase in ceiling prices. Later, ceiling prices on Cheddar cheese sold to Government agencies were increased 3.8 cents per pound, eliminating the necessity for payments on such cheese. The program was revised so that the net result would be to limit payments to cheese ultimately entering civilian outlets. Most cheese is marketed through assemblers who grade, sort, and assemble it into carlots or process it, and it is substantially impossible to determine at the factory level the ultimate disposition of the cheese. Therefore, payments were continued to be made on all Cheddar cheese produced by the factories. The equivalent of the payments on cheese ultimately sold to Government agencies at the higher ceiling prices was recovered by collection of 3.8 cents per pound from manufacturers and assemblers making such sales. Total payments during the fiscal year were approximately \$31,900,000 and recoveries were \$13,800,000.

The program was operated through the Dairy Products Marketing Association which received and paid monthly applications in accordance with an agreement with CCC and with directions of the Dairy and Poultry Branch of OMS, acting as agent of the CCC in the administration of the program. Monthly applications were analyzed and paid within a few days after their receipt. This enabled factories to make promptly the required distribution of the payments to producers supplying milk. Over 21,000 applications, with supporting evidence of milk receipts and utilization, cheese production and moisture content and distribution of payments to producers, were received and analyzed during the year. Recoveries from manufacturers and assemblers on their sales to War Food Administration were made automatically by deduction from the price. Recoveries on sales to other Government agencies were received directly from the sellers and verified by information supplied by such agencies.

Most of the problems and cases relating to proper claims, supporting evidence, distribution of payments and moisture tests were handled administratively. The only significant revision of the program was a change in the payment rate for low moisture cheese, effective January 1, 1945, from 4-1/4 cents on extremely low moisture cheese to 4 cents on all low moisture cheese. This action was taken after consideration with the Cheese Advisory Committee and other representatives of the industry.





## Milk Processing Problems

Milk receiving and processing facilities were expanded further during the year. These included some additional plants, as well as equipment to enlarge existing plants. Also many necessary replacements were made of equipment worn out under the strain of extended wartime operations.

The large demand for most equipment and materials necessitated continuation of the WPB priority system with only moderate relaxation. Total demands for dairy equipment far exceeded the capacities of equipment manufacturers. Accordingly, it was necessary to continue to review all priority applications in order to limit the expansion and replacement of facilities to the areas where milk production was increasing, where farmers were shifting from cream to whole milk deliveries, and where existing facilities were inadequate. Nearly one thousand priority applications were handled.

Most of the expanded facilities were for drying milk. They included about 11 new drying units and specific items of equipment to enlarge many others. Much of the equipment was for manufacturing nonfat dry milk. Some 18 plants made the necessary changes for the manufacture of dry whole milk and dry ice cream mix to meet the increased military requirements.

All of the 25 milk drying facilities and one Cheddar cheese facility, developed under the lend-lease financing program, were in operation before the end of the year. This program, started in 1941, provided for contracts with cooperatives to construct or install facilities, sell them to the Government and lease them for operation, with an option to purchase them after the war emergency. Titles to 14 of the facilities had been acquired and titles to the remainder were in process of transfer at the end of the year. Except for projects that had been previously developed and considered, no additional projects were approved during the year. Accordingly, activities on this program related largely to construction, installations, operations, and transfers of titles.

It has been necessary to maintain constant working relation with such other Government offices as the Office of Materials and Facilities and the Office of Labor of WFA, the Office of Defense Transportation, the Office of Price Administration, the Petroleum Administration for War and the Solid Fuels Administration in order to help the dairy industry meet its continuing problems of supply and labor.

Wartime programs have called for marked expansion in the processing of most dairy products. This expansion program has brought problems of increased requirements for transportation facilities, containers, labor, sugar, and most recently, fuel; all of which have been in decreased supply. For example, the change from shipping farm separated cream to shipping whole milk increased the truck hauling requirements about sevenfold. With the shortage of trucks, and with such trucks as were available in poor repair, it was necessary to obtain new equipment. Through cooperation with the Office of Defense Transportation it has been possible to obtain the necessary equipment.





Adequate packages in quality and quantity have also been a special problem, especially with shortages of all types of packing equipment and supplies. Increased requirements have also meant increased labor needs in processing plants. With the large number of men being taken into the armed forces there has been a dwindling supply of available labor. Meeting the problem has required that every effort be made to assist processors to staff their plants in order to meet the increased requirements, such as the retention of key employees, as well as the acquisition of new employees. In many plants, war prisoners have filled a very urgent need.

Increased demands for sugar in order to avoid skim milk wastage came at a time when there was a short supply of sugar available and, very often, not too well distributed. Special efforts have been made to assist milk processors, when necessary, to obtain sugar so that the minimum amount of milk might be wasted. Fuel needs for every type of food processing have also risen at a time when both oil and coal have been in diminishing supply for civilian use. Cooperation with the Petroleum Administration for War and the Solid Fuels Administration made it possible to insure fuel for necessary operations.

#### Dairy Products Standards

Efforts to maintain interest in quality have been important in view of the tendency for some manufacturers to neglect this factor during the war years of large demand for the products and shortages of labor and equipment.

Previously issued U. S. Standards for grades of butter, Cheddar cheese, and dry milks were continued as bases of the Federal Inspection and Grading Service available for both the commercial trade and Government procurement agencies. Tentative U. S. Standards for grades of Swiss cheese were developed and issued at the request of representatives of the Swiss Cheese Industry and the Office of Price Administration. Work was continued in cooperation with the military procurement agencies on specifications and standards for dry whole milk of long keeping quality. In order to encourage production of high quality Cheddar cheese for military, lend-lease, and civilian uses, a series of meetings for cheesemakers was held in cheese producing areas, at which methods of producing cheese were demonstrated and quality problems were discussed.

#### FLUID MILK

Principal activities during the year with respect to fluid milk centered around several types of programs, (1) the continued operation of marketing agreements and orders under the Agricultural Marketing Agreement Act of 1937, as amended, (2) the continued operation of the fluid milk conservation program establishing sales quotas for milk handlers in 138 major cities, (3) the adjustment of fluid milk prices and price ceilings, (4) the continued operation of the fluid milk payment program to facilitate the payment of higher prices to producers without raising retail prices, and (5) special programs to help relieve local shortages or local surpluses of milk.



## Milk Marketing Agreements and Orders

There were 25 marketing agreement and order programs for fluid milk in effect during all or part of the year ended June 30, 1945. Approximately 121,000 producers, producing about 13 billion pounds of milk, worth almost 436 million dollars, were under these marketing programs during the year.

A number of hearings were conducted during the year to consider the issuance of new programs or amendments to existing programs. A new order (#69) for Suburban Chicago became effective September 1, 1944. The hearing was held and all the work completed for a new program for the Dayton-Springfield, Ohio, area. This order (#71) is to become effective on July 1, 1945. The hearing has also been held and all the work completed for a new program, to be known as the Tri-State (West Virginia, Kentucky, and Ohio) order, which will probably become effective on August 1, 1945. A marketing order was issued regulating the handling of milk in the Clinton, Iowa, marketing area. This order, which became effective October 1, 1944, was a departure from previous orders in that it was the first to provide for separate pricing of the component parts of milk.

One of the most significant amendments to existing orders issued during the year was an amendment to the New York order which is to become effective on August 1, 1945. The issuance of this amendment followed consideration at public hearings in August, September, and December, 1944, of proposed amendments to almost every provision of the New York order. This amendment to the New York order provides for (1) a new method of determining which plants in the six-State milkshed are to participate in the market-wide equalization pool, and (2) a specific procedure for issuance by the market administrator, with approval of the Secretary, of rules and regulations to effectuate the terms and provisions of the order relating to the classification of milk. This latter provision is the first such provision to be included in a milk marketing order and is expected to result in reducing controversy over interpretation of order provisions, and thus to be a step toward better administration of technical aspects of milk marketing regulation.

The new pool plant provision in the New York order recognizes as an economic problem the determination as to the milk to be under regulation and places the final responsibility for such determination on the Secretary. It is also an attempt to recognize the obligation of handlers to properly supply the marketing area, by making continued pool participation contingent upon the performance of handlers. More approval of health authorities is no longer sufficient to guarantee pool participation.

A hearing on a proposed new program for the Columbus, Ohio, marketing area was held in January and was reopened on June 20, 1945, in order to receive additional evidence. Also pending was action on a hearing held





Estimated number of producers, estimated volume of pooled milk, and estimated total value of pooled milk at basic butterfat test, in various fluid milk markets under marketing agreement programs, May 1, 1944 - April 30, 1945

Market	Basic butterfat test	Number of producers	Annual volume 1,000 pounds	Value of milk at basic test Dollars
Boston, Mass. (191-200 mile zone)	3.7	14,055	1,348,387	45,339,660
Chicago, Illinois (70-mile zone)	3.5	17,364	2,522,967	77,813,354
Cincinnati, Ohio	3.5	4,680	269,018	8,760,892
Clinton, Iowa 1/	3.5	201	6,163	183,963
Dubuque, Iowa	3.5	176	28,761	778,717
Duluth-Superior, Minn.-Wis.	4.0	1,277	80,092	2,513,555
Fall River, Massachusetts	3.7	248	33,011	1,417,528
Fort Wayne, Indiana	4.0	824	50,298	1,630,946
Kansas City, Mo.-Kans.	3.8	1,825	174,280	6,172,208
La Porte County, Indiana	3.8	193	16,561	556,492
Louisville, Kentucky	4.0	1,667	170,403	6,103,029
Lowell-Lawrence, Massachusetts	3.7	859	68,851	2,782,687
New Orleans, La. (61-70 mile zone)	4.0	2,060	150,042	5,339,511
New York, New York, (201-210 mile zone)	3.5	50,478	5,842,617	192,849,520
Omaha-Council Bluffs, Nebr.-Iowa	3.8	2,348	116,236	3,607,587
Philadelphia, Pennsylvania	4.0	9,439	958,760	37,063,646
Quad Cities, Ill.-Iowa	3.5	1,198	89,632	2,692,804
St. Joseph County, Indiana.	4.0	645	57,857	1,999,248
St. Louis, Missouri	3.5	3,683	354,090	12,255,447
Sioux City, Iowa	3.5	499	29,011	864,188
Suburban Chicago, Ill. 2/(70-mi. zone) 3/	3.5	621	57,139	1,626,909
Suburban Chicago, Ill. 4/(70-mi. zone) 3/	3.5	2,442	117,896	2,926,477
Toledo, Ohio	3.5	2,172	132,893	4,367,505
Topeka, Kansas	5/	149	15,224 5/	473,458
Washington, D. C.	4.0	1,555	361,340	14,350,900
Wichita, Kansas	3.8	373	37,551	1,365,781
Total		121,081	13,089,080	435,836,012

1/ Order effective September 1, 1944. 2/ Grade A. 3/ Order effective October 1, 1944. 4/ Grade B.

5/ Reported as butterfat and converted to 3.5 percent milk equivalent.  
Compiled from reports of the market administrators.





to consider a marketing agreement and order program for the Twin Cities marketing area (Minneapolis-St. Paul) and action on hearings to consider amendments to the Washington, D. C., and the Cincinnati orders.

As has been done for the recent war years, provisions in several orders for seasonal price reductions were suspended to encourage continued high production in the summer months.

Handler compliance with milk marketing orders continued to be excellent in all markets as indicated by the fact that less than 15 enforcement proceedings were instituted during the past year. There were less than 50 enforcement proceedings pending before the courts on June 15. A majority of these cases have already been adjudicated and are now waiting complete satisfaction of the judgments rendered. During the past year more than 25 injunctions or court orders were issued against noncomplying handlers.

Approximately 30 petitions which had been filed under Section 8c(15)(A) of the Agricultural Marketing Agreement Act of 1937 were pending before the Secretary on June 15. Of the 20 petitions acted upon by the Secretary during the past year, the relief requested by the petitioners was denied in all but 2 cases. The petitions have in general challenged interpretations of the milk marketing orders. In several instances they have challenged the legality of provisions which have been included in the orders.

There were 6 court cases instituted by handlers under Section 8c(15)(B) of the Act during the past year to secure a court review of the rulings made by the Secretary on petitions filed under Section 8c(15)(A). On June 15 there were 7 review proceedings pending before the courts. Of the 9 decisions rendered by the courts during the past year, the rulings of the Secretary were sustained in all but 3 cases.

1. In the case of Bailey Farm Dairy Co., et al v. Jones, et al, the District Court at St. Louis sustained the legality of certain amendments to the St. Louis order. Under the amended order St. Louis handlers were required to give credit up to 95 percent of their Class I sales to local producers before allocating any milk shipped in from outside sources to Class I use.

2. In the case of Wawa Dairy Farms, Inc., v. Wickard, the Circuit Court at Philadelphia upheld the validity of certain location differentials included in the Philadelphia order.

3. An important decision involving the New York order was rendered in the case of Grandview Dairy, Inc., v. Jones, et al., on June 11, 1945. In this case the District Court sustained the action taken by the market administrator in denying market service payments with respect to milk moved via pipe-line between two buildings of this handler.



## Milk Price Ceiling Adjustments

Prices to producers for milk for fluid use continued during the year to be the only prices for milk (or cream) at the producer level which are subject to price ceiling control. A continuing problem was experienced with respect to the level of fluid milk prices to producers in many local markets, particularly those around which milk and cream are sold for both fluid and manufacturing use.

For the United States as a whole, the average price paid to producers by condenseries for 3.5 percent milk increased from \$1.92 per hundredweight in April 1942 to \$2.63 in the same month of 1945. The price received by producers for all milk sold at wholesale (average test) increased from \$2.41 per hundredweight to \$3.14 between April 1942 and April 1945. The average price paid by dealers for 3.5 percent milk for city distribution as milk and cream was \$2.75 per hundredweight in April 1942, and \$3.26 in April 1945. Between April 1942 and April 1945, the condensery price had increased by 71 cents per hundred pounds, the producer price for all milk by 73 cents per hundred pounds, and the price for milk for city distribution had increased 51 cents per hundred pounds. In the cases of individual markets there were many in which the discrepancies between these prices were greater. A substantial number of market price adjustments remained to be made at the end of the year.

Continued efforts were made during the year to have established by the Director of Economic Stabilization an over-all policy with respect to fluid milk prices which would facilitate the speedy adjustment of these prices as required by economic conditions. Although progress was made in this direction, such an over-all policy was not yet in operation at the end of the year. State-wide adjustments to producer price ceilings were made in a number of States, primarily to establish specific dollars and cents ceilings for individual markets to replace individual handler ceilings. Significant increases in ceiling prices were made in the States of Ohio, Michigan, West Virginia, Kentucky, Illinois, and Indiana, affecting for the most part market areas of less than 10,000 population.

## Fluid Milk Payment Programs

The programs of special subsidy payments to fluid milk handlers in certain cities were continued during the past year and their coverage extended to one additional city market - Fort Wayne, Indiana. The purpose of the programs has been to enable milk handlers to pay higher prices to producers without exceeding the price ceilings for milk established by the Office of Price Administration. These higher prices to producers have been required in order to assure production of adequate supplies of milk in the face of increases in farm wages and other costs and the competition of alternative lines of farm production.

Payments under the programs are made by the Commodity Credit Corporation through the market administrators under the milk marketing agreement





and order programs. There are 13 Fluid Milk Payment programs in all, affecting more than 500 handlers. Total payments average about one million dollars applicable to about 400 million pounds of milk each month. The present rates of payment per hundredweight of milk in the various areas are as follows:

Arlington-Alexandria area	28 cents per cwt.
Baltimore area	35 cents per cwt.
Fort Wayne area	The amount by which the Class I price exceeds \$3.53
New York area	20 cents per cwt.
Omaha-Council Bluffs area	25 cents per cwt.
Pennsylvania area, No. 4	40 cents per cwt.
Pennsylvania area, No. 6	33 cents per cwt.
Pennsylvania area, No. 8	38 cents per cwt.
Pennsylvania area, No. 12	33 cents per cwt.
Philadelphia area	35 cents per cwt.
Philadelphia suburban area	40 cents per cwt.
Washington, D. C., area	28 cents per cwt., less an adjust- ment for emergency milk
Wilmington area	35 cents per cwt.

#### Local Shortage and Surplus Problems in Fluid Milk

The upward trend in milk production throughout the country this last year was especially pronounced in a number of the fluid milksheds in the Northeast and Middlewest. The Boston milkshed, for example, showed an increase of 8.2 percent over the previous year and the Kansas City milkshed, an increase of 23.4 percent.

These increases in fluid milksheds became pronounced in the fall of 1944 when unusually favorable weather conditions prevailed over most of the dairy sections that prevented the recurrence of the problems encountered the previous year with respect to allocating the supplies. The increases continued through the spring of 1945 and it was necessary not only to devise special programs for handling the temporary surplus but to increase the quotas under most limitation orders in order to facilitate full use of the milk.

The wastage of milk was kept to a minimum although small quantities of skim milk were wasted in some sections despite the fact that quotas on cottage cheese and other skim milk uses were completely removed during the peak of the flush.

Long distance shipments of whole milk and of high quality cream and condensed skim continued to be made in order to help satisfy heavy demands in many of the southern markets. Generally, however, milk supplies during this fiscal year were more adequate than in the two previous years and in several individual markets organized producer groups have begun recently to concern themselves with post-war surplus problems.





## POULTRY PRODUCTS

During the past year the poultry and egg industry has experienced the extremes of possible production and marketing conditions. At the beginning of the year the industry was just beginning to overcome the most serious surplus condition with which it had ever been faced. Large quantities of dried eggs were being purchased for lend-lease purposes and as a means of supporting egg prices to farmers. Purchases of shell eggs as an additional means of supporting prices were also being made, but the surplus had substantially disappeared by October. In late November egg prices became firm, and for the balance of the year have been at practically ceiling levels continuously.

In fact, as the year progressed, egg shortages became more acute. These shortages can be largely attributed to the extremely short supply of meats for civilians. During the last three months of the year, egg shortages were so acute that prices had risen substantially above ceilings in many areas of the country. Civilian consumption during the last 6 months was at an annual rate of about 395 eggs per capita compared to an actual consumption of 351 during the calendar year 1944. The substitution of eggs for meat apparently occurred in all areas of the country so that even in the midwestern surplus production area, supplies were far from being ample.

This condition of short supplies made it impossible for war agencies to procure their requirements during the months of peak production. The use of priorities was extended and as a result the procurement program for shell eggs as of the end of the year was substantially on schedule. It was necessary to serve priorities upon a large number of dealers in all areas of the country in order to accomplish this result.

There has been much discussion of the causes of the apparent scarcity of eggs during the latter half of the fiscal year. By any historical standard eggs have not been scarce. Production during this year has been 45 percent above the average production during the 5 fiscal years, 1937-41. This outstanding production record has been accomplished in spite of labor and equipment shortages, and notwithstanding a severe shortage of feed during the first half of the year. Egg production from January through June of 1945 was only about 7 percent below the all-time high production for the same period in 1944, when producer price levels were much lower, and several million cases of eggs were purchased as a means of supporting prices. In order to offset this decline in production, allocations of dried and shell eggs for lend-lease were drastically reduced. In addition, military requirements for relief feeding were substantially cut, but the military procurement program of both dried and shell eggs was increased somewhat.

War agencies also experienced difficulties in procuring an adequate amount of dried eggs during the last half of the fiscal year, because of the general shortage of shell eggs. Substantial WPA stocks of dried eggs were transferred to war agencies and they were permitted to issue priorities for large quantities of frozen eggs to be used as a backlog for drying later in the year. This program aided materially but at the end of the year procurement of both dried eggs and frozen eggs was behind schedule.



provide dried eggs for lend-lease and the Armed Forces, and many of these firms lacked technical knowledge concerning the trucking, freezing, and drying of eggs. New equipment was developed in order to circumvent the shortage of materials, and this new equipment presented problems of a technical nature in adapting them to an efficient operation. It became apparent that a great service could be rendered to the industry and the war effort substantially advanced by providing egg producers with technical assistants in their plant operations. In order to accomplish this, a Mobile Laboratory Unit was placed in operation to service the plants located in the central western area. Laboratory analyses were made on plant operations in order to assist in finding points of contamination and obtain information useful to the plant managers in solving operating problems.

In cooperation with workers of the Agricultural Research Administration, a detailed study was made on the source of distribution of Salmonella bacteria in liquid and dried eggs. Several other research problems were given attention, such as the germicidal efficiency of sterilizing solutions used in egg breaking rooms. A preliminary survey of the bacteriology of the termination method of producing dried egg albumen was also made.

#### Egg Quality Research

Two reports "Egg Grades and Regulations in the United States" and "National Uniform Standards for Quality of Individual Eggs, Egg Grades, Weight Classes and Regulations" were prepared in connection with the studies of State laws relating to market standards and grades, enforcement and educational programs started during the preceding year. These reports were mailed to persons interested and responsible for egg and poultry marketing programs in all parts of the country. The studies showed that the marketing of poultry products in this country is being handicapped by use of numerous confusing and conflicting specifications, grade terms, and requirements that vary widely among the 48 States and by insufficient funds and trained personnel to do an adequate job of enforcement.

#### Egg Case Study

It has been necessary to utilize fiber egg cases to the extent of about 60 percent of total egg case requirements because of the wooden egg case shortage situation which has become acute during the war. Since experience in the manufacture and use of fiber egg cases was very meager and claims paid by the railroads for damage to containers and shell eggs have greatly increased to approximately \$650,000 in 1944, the War Food Administration deemed it advisable to initiate and cooperate with the Forest Products Laboratory at Madison, Wisconsin, in conducting tests on materials, construction and utility of fiber and wooden egg cases, flats and fillers in current use. Arrangements were also completed for making tests to determine the egg losses and damage to egg cases in transit, and to compare results obtained in tests made at the laboratory with results of actual transportation tests in the field.

When these transportation tests are completed, information will be available on (1) the cases tested in the order of performance, (2) effect of





type of interior packing, (3) effect of size of case, (4) effect of simulated cold storage, (5) the relationship between compression strength of empty cases and damage to contents in rough handling tests, (6) the effect of type of closure on compression strength of empty cases, (7) the variation of damage frequency with position of the egg in the case, (8) the frequency of type of damage to eggs by kind of cases, test, and packing material, (9) the effect of grade of board in the case on damage, (10) the effect of weight of eggs on damage, and (11) a description of the most efficient packs.

Another series of tests on fiber egg cases, financed by the industry and conducted by a commercial laboratory in cooperation with the War Food Administration resulted in the development of specifications for an economical and better than average fiber egg case.

In cooperation with egg case manufacturers and the Association of American Railroads, work was done in making "switching" tests with railroad cars loaded with eggs to determine the speed and impact necessary to cause over 10 percent damage to eggs and cases. In addition, some transportation tests were made for manufacturers of egg cases comparing fiber and wooden egg cases and different makes of fiber egg cases. Results of these tests were (1) that new fiber egg cases compare favorably with new standard wooden egg cases under ordinary shipping conditions, (2) that the taping of fiber egg cases tends to strengthen the whole case and prevents damage to the covers, (3) that straw is a good buffer if packed tightly, (4) that the use of a floating layer in shipping eggs is a bad practice and results in increased damage to eggs and cases, (5) that the loading of egg cases of different dimensions in the same car results in a greater shifting of the load and increased damage, and (6) ordinary the loading of wooden and fiber cases in the same car is not a good practice.

Several studies of a postwar nature have also been conducted during the past year. An effort has been made to find and help develop a postwar market for dried eggs which can now be produced in such great quantity and of a generally high quality. Two surveys were made in Chicago on the use of dehydrated foods, including dried eggs. The first study showed that a market for dried eggs in the household probably will exist after the war, provided its cost can be held comparable with that of fresh eggs. The other survey indicated that the use of these new dehydrated foods can probably be best promoted if complete instructions or demonstrations can be made.

Surveys were made to explore the possibility of utilizing larger quantities of dried egg products in prepared flour mixes, as well as in ice cream. These surveys indicated that the amounts used are rather small and that only limited dependence can be placed on these outlets in the postwar period because of the relatively high cost of dried egg solids.

Experience during the war years has shown that dried eggs may absorb considerable moisture through the packing material. A comprehensive study has been under way in order to measure the moisture pick-up permitted by various types of dried egg packages. The objective of the study is to determine the types of package materials presenting the greatest resistance to moisture, thereby enhancing the keeping quality of egg powder. When completed this study will be of value to both the war agencies and to civilians in this country, since a domestic postwar market for dried eggs will undoubtedly require that the powder be of high quality.





Publications issued during the year are as follows:

"Quality of Egg Powder Affects Rate of Change in Solubility"  
L. S. Stuart, Harry E. Goresline, Helen F. Smart, and Virginia  
T. Dawson. Food Industries. Vol. 17, No. 9, page 98.  
February 1945.

Miscellaneous Publication O.564, "Reducing Damage to Eggs and  
Egg Cases."

"1945 Use of Dried Eggs in Ice Cream," the Ice Cream Review.  
Vol. 28, No. 10, pages 41, 58, 63.

"1945 Minimum Tentative Requirements for Facilities,  
Operating Procedures, and Sanitation in Egg-Breaking and  
Egg Drying Plants," - War Food Administration, Office of  
Distribution, Washington, D. C., December 1944.

"1945 Microbiological Control in the Production of Spray  
Dried Whole Egg Powder," U. S. Egg and Poultry Magazine  
Vol. 51, No. 6, pages 250-257.

#### Market Standards and Facilities

Two new sets of tentative standards and grade specifications were issued and two sets of standards and grades were revised during the year. The new specifications consisted of (1) Tentative U. S. Standards for Classes and Grades for Eviscerated, Federally Inspected Chickens (Effective July 1, 1944), and (2) Tentative U. S. Standards for Classes and Grades for Eviscerated, Federally Inspected Turkeys (Effective November 20, 1944). The Tentative U. S. Standards and Weights for Wholesale Grades for Shell Eggs were modified for simplicity and for more complete agreement with consumer grades (Effective September 25, 1944) and the Tentative U. S. Standards for Classes and Grades for Live Poultry were revised (Effective July 15, 1944).

Work was also started and preliminary conferences were held on the development of standards and grades for frozen and dried egg products and for canned boned poultry.

Educational and publicity material prepared during the year included Miscellaneous Publication #560, "Uniform Labels for Consumer Grades of Eggs" and revision of Farmers Bulletin #1815 "Grading Dressed Turkeys." An outline and rough draft of material to be included in a new publication "Grading Eggs, Advantages to Producers" was prepared.

Two summary reports on poultry and egg marketing developments were prepared and distributed to appropriate Federal and State marketing officials, colleges, and trade associations. These reports were issued to inform officials of educational agencies and agencies working with poultry and egg marketing programs in the several States on activities and problems related to development and administration of grades and standards, food orders, and price ceiling regulations dealing with poultry and egg products.



The price support operations conducted in the summer and fall of 1944 again demonstrated the need for uniform grades and standards for egg and poultry products. In spite of the large purchases made for lend-lease, the Armed Forces, and price support -- all of which were made according to Federal grades -- many small dealers and a great many producers are still confused on the subject of grade standards and grade terminology. Many State laws are in conflict with each other and with the Federal standards, and this lack of agreement is partly responsible for the confusion in the minds of the trader and producer.

There has been a growing sentiment in favor of the development of national uniform standards and grades and a more comprehensive program to conserve quality, stimulate consumption, and improve the marketing of egg and poultry products.

Preliminary suggestions for organization and operation of a Nation-wide Egg and Poultry Quality Conservation Program based on uniform standards and grades were prepared and submitted to leading industry members and officials in charge of this work in the States to serve as a basis for further discussion and action.

A program outline for holding egg grading training schools for 4-H Club members, Future Farmers, and adults was prepared and sent to leaders responsible for this work in the States. The objectives of these training schools which were held in most of the States were:

- (1) To train 4-H Club members, Future Farmers, and others to grade eggs
- (2) To organize a program of grader availability to assist farmers and market handlers of eggs.
- (3) To train graders for official egg-grading work

#### FOOD ORDERS.

Thirteen basic War Food Orders and additional supplementary orders regulated the production and sale of fluid milk and cream, manufactured dairy products, and poultry during the past fiscal year. These orders all had the common objective of diverting production either directly or indirectly to more essential uses for these products. Industry advisory committees representing butter, cheese, dry milk, ice cream, evaporated milk, fluid milk and cream, and poultry and eggs were consulted frequently on all phases of the order program. Six orders were terminated because they were issued as temporary measures or because they were no longer needed. Three new orders were added. Five of the current orders are "limitation orders", six are "set-aside orders", one is an "allocation order", and one involves "marketing economies" in the distribution of fluid milk and cream.





### War Food Order No. 2 - Butter

Order No. 2, originally effective February 1, 1943, required most persons who manufactured creamery butter to set aside specified percentages of their production for delivery to designated military, lend-lease and war service agencies. The required percentages varied during the year from zero during the winter months to a high of 55 percent during May and June.

Basic changes in the order this year were: (1) a redefinition of persons subject to the order to eliminate manufacturers whose volume had decreased, and (2) provisions for reauthorization of receivers.

The set-aside order continued to function smoothly and accomplished the purpose for which it was intended. Approximately 90 percent of the butter set aside during 1944 moved from the manufacturer to designated agencies through authorized receivers. The 217 firms authorized to handle set-aside butter in 1944 included nearly all established butter handlers.

Approximately 80 percent of the butter set aside during the year was purchased by the Armed Services. About 10 percent of the total was used for lend-lease. Releases for civilian use, including civilian hospitals, were slightly in excess of 2 percent of the total. The remaining 8 percent was purchased by other designated agencies such as the War Shipping Administration and the Veterans' Administration.

Petitions for relief from hardship were filed by 387 persons during the year.

In addition, 96 exemptions were granted. These exemptions authorized the use of set-aside butter in various manners not provided for in the order, as an ingredient in ice cream and candy for sales to the Armed Services, for export shipments, and for the Alaskan Civilian Program. About 1 percent of the total butter set aside was exempted for such use.

### War Food Order No. 8 - Frozen Dairy Foods

This order, which restricts the utilization of milk in frozen dairy foods and mix was changed from a milk solids basis to a milk fat basis on March 1, 1945. The order affects approximately 20,000 processors, who manufacture over 490 million gallons of frozen dairy foods.

Provisions restricting the milk solids content of ice cream and the percentage of milk solids to be used in frozen products other than ice cream were deleted from the order on March 1, 1945.

In addition to diverting substantial amounts of milk and cream from frozen dairy foods to other dairy products needed more directly in the war effort, the order has helped to maintain the position of the ice cream industry as the "balance wheel" of the dairy industry from a seasonal standpoint. Flexibility in the use of monthly quotas has enabled ice cream processors to use a larger percentage of the annual supply of milk during the flush season than would have been the case otherwise. An amendment





issued May 15, 1945, provides that processors might increase their utilization of milk fat from 65 to 75 percent of June 1942. They were permitted to use the increase during May if they desired.

During the 10 months July 1944 through April 1945, 189 investigations of reported violations were completed; 195 audits were made; 31 cases were recommended for criminal action; 11 for injunction; and 8 for other civil action. During this period, 21 suspension orders relating to WFO 8 were issued and 102 processors whose operations under the order indicated the need for close attention were given warning letters.

#### War Food Order No. 11 - Milk Marketing Economies

War Food Order 11, providing for a number of milk marketing economy measures designed to simplify milk handling operations and to reduce marketing costs for fluid milk, remained unchanged during the past year. While this order is largely self-operating, in that it calls for little in the way of administrative or enforcement effort, reports indicate that it continues to accomplish its basic purposes and that compliance is very good.

#### War Food Order No. 13 - Cream

War Food Order 13 prohibits the sale of heavy cream. It was amended on February 6, 1945, to establish quota controls over the production of "filled cream," which includes various blends of light cream and vegetable oils, largely sold as a substitute for whipping cream. The amendment permits any manufacturer of filled cream to utilize milk solids up to 75 percent of such utilization in a base period. The base period is (1) the month of May 1944 in the case of a handler who produced filled cream during that month and who produced less than 100 gallons of filled cream during any calendar month from April 1943 through March 1944; and (2) the period from April 1943 to March 1944, inclusive, for all other handlers.

Public health officers and county medical societies have cooperated to help eliminate abuses in connection with the issuance of doctors' prescriptions for heavy cream in the care and treatment of the sick. In most sections these officers have carried out a policy of approving prescriptions for heavy cream only in cases where such cream was considered by the medical profession to be necessary, and where light cream in larger quantities could not be substituted.

Compliance with the order has been generally excellent in larger cities but there has been a tendency for minor violations. Many farmers distributing cream in small communities have not complied strictly with the order because they did not have special equipment for testing their cream for butterfat. A table for estimating the butterfat content of cream without special equipment was prepared with simple instructions whereby farmers and other small handlers could control the butterfat content of cream made from milk of varying butterfat tests.



War Food Order No. 15 - Cheddar Cheese

A set-aside program for Cheddar cheese for war agencies has been in continuous operation since February 1943. The set-aside percentages have changed from month to month so as to maintain a fairly constant supply for civilians.

For the year ended June 30, 1945, between 400 and 425 million pounds of Cheddar cheese was set aside for delivery to governmental agencies. This is close to 50 percent of total production during this period.

Cheddar Cheese Production, Quantity Set Aside  
and Available for Civilian Use  
July 1, 1944-June 30, 1945

Year	:	Production	:	Percent	:	Quantity	:	Available
and	:		:	set	:	set	:	to
month	:		:	aside	:	aside	:	civilians
		<u>Million lbs.</u>		<u>Percent</u>		<u>Million lbs.</u>		<u>Million lbs.</u>
1944:								
July	:	89.8	:	60	:	50.0	:	40
August	:	74.3	:	60	:	43.0	:	31
September	:	67.0	:	50	:	32.0	:	34
October	:	58.5	:	40	:	22.0	:	36
November	:	48.5	:	25	:	11.5	:	37
December	:	48.8	:	25	:	11.5	:	37
1945:								
January	:	51.0	:	25	:	12.0	:	39
February	:	51.0	:	30	:	15.0	:	37
March	:	66.0	:	45	:	29.0	:	37
April	:	82.0	:	50	:	40.0	:	42
May	:	104.0 <sup>1/</sup>	:	65	:	66.0	:	38
June	:	113.0 <sup>1/</sup>	:	70	:	77.0	:	36
Total	:	853.9	:	48	:	409.0	:	444
I/ Estimated								

War Food Order No. 54 - Nonfat Dry Milk Solids

War Food Order 54, the set-aside order for nonfat dry milk solids, has applied only to manufacturers of spray process nonfat dry milk solids. Since September 1944, percentage of production required to be set aside during the year has varied from 40 to 75 percent.

Roller powder manufacturers were required to set aside 50 and 35 percent of production during July and August 1944, respectively. Since September 1, 1944, however, the various agencies have been able to procure adequate supplies of roller powder from voluntary offers.

About 90 firms operating 120 plants came under the set-aside order for spray nonfat dry milk solids during the year. Close to 285 million pounds of spray powder was produced during the 12 months ended April 30, 1945. Approximately 164 million pounds, or 58 percent of total production





was set aside for war purposes. During the same period, designated agencies purchased 173 million pounds of spray powder, and 5 million pounds was released for civilian use. Total deliveries and releases thus exceeded set-aside requirements by 14 million pounds. This excess was due to a reduction of set-aside inventories held by the trade at the beginning of the period and to deliveries by manufacturers in excess of requirements.

The War Food Administration purchased two-thirds of the set-aside spray powder delivered during the year, the remaining third going to the Military Services and other designated agencies. Over 98 percent of the spray powder purchased by the War Food Administration was purchased directly as powder. In contrast, nearly 40 percent of the powder going to the Military Services was delivered to food manufacturers for use as an ingredient in products produced for delivery on military contracts. In all, 306 exemptions were issued to persons subject to the order authorizing the sale of set-aside powder to manufacturers for such use.

Petitions for relief under the hardship clause declined substantially principally due to exclusion of roller plants from the order during most of the year. Compliance with the order has not been a serious problem.

#### War Food Order No. 79 - Conservation and Disposition of Fluid Milk and Cream

War Food Order 79, in effect since September 1943, is an allocation order for fluid milk and cream. Supplementary orders for 138 major population centers of the Nation establish upper limits (based on deliveries in June 1943) on the deliveries of fluid milk, cream, and milk byproducts which handlers may make to civilian consumers. Monthly sales quotas are established and an attempt made to keep these quotas related to changes in production and marketing conditions.

Thirty-four market agents provide local administration of the supplementary orders. Agents have from time to time been delegated the power to make limited local adjustments in quotas, to grant or deny preliminary relief on hardship petitions, and to authorize certain transfers of quota between handlers and from one quota product to another. In addition, they serve to clear information on local conditions of supply and demand, so as to assist in the fullest possible utilization of milk supplies in the flush season. They are responsible to the Administrator of War Food Order 79, who, in turn, provides direction for the program and the operations of the local agents.

Keeping the program coordinated with local supply and demand conditions has required some expansion in quotas, particularly in the quotas limiting the products weighted most heavily with milk solids-not-fat, since the need for the conservation of milk solids-not-fat have been somewhat relieved. Cottage cheese was removed from quota control on October 1. Later, quotas on milk byproducts (skim milk and skim milk drinks) and on cream volume (but not butterfat in cream) were established generally without upper limits.

Relaxation has extended in only a limited way to milk quotas and to quotas of butterfat in cream. An unusually advanced spring and good rainfall,



coupled with withdrawal of the transfer privileges, brought about authorizations of milk quota increases of as much as 10 percent and cream butterfat increases of as much as 15 percent on March 1. This authorization represented, however, no change in actual quota levels as compared with quotas resulting from transfer. Larger increases in milk quotas came in April, in order to permit full utilization of milk for which manufacturing facilities were not reasonably available. As of June 30, milk quotas are at somewhat lower levels than in 1944. Butterfat in cream quotas was permitted to be advanced by 25 percent of base deliveries in the months of May and June, the same levels prevailing in those months in 1944.

In the month of May, quota restrictions on cream having proven an incentive for the promotion of cream substitutes not technically within the definitions provided in war Food Order 79, it became necessary to extend restrictions to include such products.

The processing of petitions for relief from hardship, enforcement activities, and the supervision of the financial affairs of market agents constitute the major balance of the activities under War Food Order 79. A total of 1,058 petitions has been received from July 1, 1944, through June 11, 1945.

Recommendations for court action during the same period number 186. From this number, 91 injunctions have been issued, 5 stipulations have been entered, and 4 criminal convictions have been obtained. Twenty-two cases have been closed without action and the balance remain pending.

Of particular interest during the year was the decision by the Circuit Court of Appeals in the 6th Circuit in the case of Wareheim vs. Varney. On June 18, the Supreme Court refused to review this decision on a writ of certiorari. Judgment thereby is settled to the effect that the War Food Administrator was entitled to proscribe, as one of the conditions of the wartime allocation of a commodity under the 2nd War Powers Act, assessments against handlers of the commodity to pay the administrative costs of such an order.

With the exhaustion of funds derived from assessment which was suspended July 1, 1944, the operations of the market agents have been financed by advances made them from War Food Administration funds. These advances are provided under conditions established by the War Food Administrator and are expended subject to the terms of the orders and under the direction of the Administrator of Order 79.

#### War Food Order No. 92- Cheese and Cheese Foods

This limitation order, War Food Order 92, has been in effect since February 1, 1944. It limits the production of all varieties of cheese other than Cheddar, Cottage, Pot, and Baker's cheese, to the amounts produced in the corresponding calendar quarter of 1942. On April 1, 1945, the Order was amended to permit an increase of 10 percent in quotas for the quarter, April through June. The order was suspended for the period June 8 to July 15.





The need for War Food Order 92 arose largely from the fact that established ceiling prices yielded greater profits from the manufacture of cheeses other than Cheddar cheese and the set-aside obligations placed upon Cheddar cheese gave a further advantage to the manufacturing of other types.

Administration of the Order has involved primarily the problem that restrictions were placed upon some factories that were unable or unwilling to divert increased milk receipts to other dairy products. In the winter and spring of 1945, field representatives visited some 75 factories to assist them in working out satisfactory arrangements to comply with the Order.

The effect of the order has been to reverse the marked trend toward increased production of non-Cheddar types of cheese that was accelerated greatly in 1943. Reports received from processors indicate a total production of 258,432,447 pounds of the restricted cheeses in 1942 and 227,232,656 pounds in 1944, a net decline in the production of these cheeses of 31,199,791 pounds. The decline from 1943 to 1944 was much greater.

#### War Food Order No. 93 - Dried Milk

This order became effective March 1, 1944, to check the diversion of milk into "non-Standard" dried milk products not being purchased for war use and to assure the fulfillment of procurement schedules for dried whole milk and dried ice cream mix.

All sales of dried milk to the Armed Forces and other war agencies are left unrestricted under the order as are commercial exports under licenses. Civilian sales of dried milk products (35 percent or more milk solids) are limited to: (1) 75 percent of the quantity sold civilians during corresponding quarters of 1942 or (2) 10 percent of current sales to governmental agencies and commercial exports, whichever is higher. In the case of compounds (less than 35 percent milk solids), 100 percent of 1942 sales applied to the first option.

In the case of spray dried whole milk, quota exempt sales to war agencies and for export exceeded 150 million pounds while civilians received 17.7 million pounds. Likewise, dried ice cream mix, all of which is spray process, was largely diverted to military use. Sales of dried whole milk and dried ice cream mix to the Armed Forces increased markedly in the April-June quarter of 1945 compared with this period of 1944.

Quarterly reports and other sources of information indicated a high degree of compliance with the provisions of the Order. The fact that only about 40 well established firms were under the Order limited the administrative work compared with many other dairy and poultry food orders. Nevertheless, this small number of firms, largely because of the wide scope of the Order, filed some 160 requests for adjustments of various kinds, including indirect sales of restricted products to approved agencies. Of these, about 90 percent were approved in whole or in part and 10 percent were denied. Three audits were completed by the Office of Investigatory Services to determine compliance with the Order but no significant violations were disclosed. It was apparent that the dry milk trade clearly appreciated the need for an order of this type and it was widely accepted as a reasonable and necessary part of the wartime dairy program.





## War Food Order No. 95 - Milk Sugar

Because supplies of milk sugar were insufficient to meet the requirements of all users, War Food Order 95 was in full force and effect from April 1 until September 1, 1944. Complete allocation of the milk sugar supply was made in each of these months. Sales to hospitals, or institutions that use refined milk sugar under doctors' orders or prescriptions, and sales of refined milk sugar in retail packages for household or pharmaceutical use were not subject to allocation. All requests for milk sugar for the production of penicillin, essential pharmaceuticals, sweetened condensed milk and for Government contracts were granted in full.

The allocation provision order was suspended September 1, 1944, since the supply of and the requirements for milk sugar appeared to be in balance.

A comparison between the production of technical and refined milk sugar in the first 5 months of 1945 with the same months of 1944 indicates that production has been expanded. Average monthly production, January through May 1945, was approximately 1,400,000 pounds as compared with 900,000 in the same months of 1944.

## War Food Order No. 106 - Turkeys

War Food Order 106, effective July 17, 1944, was issued to help procure turkey for overseas shipment to provide holiday dinners for the Armed Services. The order covered, in the fall of 1944, all of the States west of the Mississippi River except Louisiana; Wisconsin, Illinois, the Delmarva Peninsula, five counties in the Shenandoah Valley and four adjacent counties in West Virginia east of the Mississippi. As amended on April 8, 1945, the States of Arizona, New Mexico, and the Delmarva Peninsula were not included because of the lack of available processing facilities.

Only approved processors were permitted under the order to slaughter and pack turkeys. Such authorized processors were required to set aside and hold all turkeys processed for sale to the U. S. Army. At the time the original order was suspended on November 4, 1944, more than 630 processors had become authorized. Under the amended order in effect from April 8, 1945, approximately 500 processors were authorized by June 15, 1945. By July 1, 1945, the Order will have procured approximately 20 million pounds of hen turkeys for use by the U. S. Army in 1945. Some of these were to be used for canning but the major part were to be packed and frozen for overseas shipment for holiday dinners. The Order yielded about 50 million pounds of turkey and approximately 22 million pounds of turkey were under contract to be delivered to the U. S. Army by early November 1944. The suspension of the Order on November 4, 1944, allowed time for delivery of large quantities of turkey for the eastern markets for the Thanksgiving holiday dinners for civilians.

## War Food Order No. 119 - Poultry and Processed Poultry

This Order, which was effective December 11, 1944, provided in effect for a set-aside of 100 percent on poultry in specific areas. It was necessary to procure poultry for the Armed forces after voluntary methods had failed to



Production, Manufacturers' Stocks, and Trade  
Disappearance of Milk Sugar, 1944 and 1945

(All data in thousands of pounds)

Month and year	Production			Stocks			Disappearance
	Crude	Technical and Refined		Crude	Technical and Refined		Technical and Refined
<u>1944</u>							
January	5500	675					
February	607	760					
March	1,003	1,025					
April	1,236	1,141					
May	1,154	1,254					
June	892	1,119	1,340	584		1,073	
July	942	952	1,483	630		765	
August	938	1,132	1,726	817		1,278	
September	808	1,204	1,386	721		905	
October	848	1,198	1,324	1,021		1,474	
November	777	1,265	1,218	744		865	
December	990	959	722	1,144		1,470	
<u>1945</u>							
January	1,132	1,256	797	633		1,076	
February	1,004	1,223	791	812		1,422	
March	1,493	1,511	551	593		1,721	
April	1,694	1,533	1,370	382		1,509	
May	1,716	1,626	1,388	407		1,650	
June			1,976	382			





yield adequate supplies. The deficit by January 1, 1945, exceeded 100 million pounds. Their requirements were mainly for young chickens for broiling and frying. Such poultry was obtainable in quantity only from commercial broiler producing areas with adequate processing facilities. The Order was designed solely to direct poultry to war agencies. It originally covered the Delmarva Peninsula and Shenandoah Valley of Virginia and West Virginia, but was extended January 8, 1945, to include 8 counties in Northern Georgia; January 15, 1945, to include 16 counties in Arkansas, Missouri, and Oklahoma; and on May 14, 1945, to include 10 counties in North Carolina.

This order was recognized as drastic and spectacular from the outset. It involved new problems and required new administrative approaches. A Deputy Order Administrator was stationed in each of the set-aside areas. Producers were permitted under the order to transport poultry to local buyers or direct to authorized processing plants within a poultry area. Each local buyer was required to offer poultry received by him from farmers to an authorized poultry buyer or an authorized processor. Authorizations were issued to poultry buyers and to processors and receivers. The number of authorized poultry buyers and processors as of June 15, were:

	<u>Buyers</u>	<u>Processors</u>
Delmarva Peninsula	63	37
Shenandoah Valley	67	16
North Georgia Area	78	14
Ark-Mo-Okla Area	118	16
North Carolina Area	51	14
Total	<u>377</u>	<u>97</u>

The Order does not apply to poultry used for home consumption by the grower. Authorization also may be granted to retailers within a poultry area to slaughter up to 50 chickens each week for sale and consumption within the area. Authorizations to slaughter in effect June 15, 1945, were:

Delmarva Peninsula	850
Shenandoah Valley	244
North Georgia Area	16
Ark-Mo-Okla Area	654
North Carolina Area	2,327
Total	<u>4,091</u>

During periods of heavy production and marketing, processing capacity is not always adequate, and releases of live poultry are necessary. Releases have also been made for breeding and laying purposes and in cases of sickness, in flocks. In March, a goals program was inaugurated as an incentive for fuller utilization of processing capacity. A goal was established for each processor and he was permitted to retain for his own disposition one-half of the poultry processed over and above his goal, but his half included rejected poultry. This program has helped to increase production of some processors. In May, this program was liberalized and the quantity of poultry to be delivered to the Army before any division of surplus was set at 80 percent of the goal. Quantities released under the goals program through June 9, were:



	<u>No. Participants</u>	<u>Pounds Released</u>
Delmarva Peninsula	11	512,000
Shenandoah Valley	7	244,000
North Georgia Area	8	376,000
Ark-Mo-Okla Area	5	200,000
Total	31	1,332,000

The following statement originating with the U. S. Army Quartermaster Corps indicates that the Order has been instrumental in helping the Army to meet its requirements for poultry. "In the six months during which the Order has been in effect, export inventories have been increased by about the equivalent of 2 week over-seas shipping requirement. In other words, out of each month about 28 days of production has gone to fill current requirements and about 2 days production to build up formerly inadequate inventories to the present barely adequate level." The pounds of poultry processed, including rejects, February through April, 1945, were as follows:

<u>Area</u>	<u>February</u>	<u>March</u>	<u>April</u>
Delmarva Peninsula	19,122,000	22,136,000	21,105,000
Shenandoah Valley	3,924,000	4,668,000	4,574,000
North Georgia Area	4,279,000	4,661,000	4,401,000
Ark-Mo-Okla Area	2,875,000	2,742,000	2,763,000
Total	30,200,000	34,207,000	32,843,000

Procurement under War Food Order No. 119 was very satisfactory in each area where compliance was adequate. Compliance, through the use of roadblocks, was very successful in those areas where they were used, but in other areas where roadblocks were not used, procurement was unsatisfactory and a large part of the poultry was moved out of the area in violation of the Order.

#### War Food Order No. 125 - Dressed Poultry

War Food Order 125, effective on February 14, 1945, was issued to help procure canned poultry for war agencies. It regulates producers of canned poultry and poultry eviscerators throughout the United States. Poultry canners are required to process all poultry according to the specifications of the Army and to set aside and hold all poultry canned for sale to the Army. Poultry eviscerators are required to eviscerate poultry according to the Army specifications under the supervision of the Department of Agriculture. All poultry eviscerated is required to be set aside and held for sale to the Army. At the time the order became effective, the supply of poultry for canning was so small that all stocks of eviscerated poultry in cold storage were set aside for sale to the Army.

The most serious difficulty under the order has been the requirement that the total production of eviscerated poultry be set aside. Many operators, both large and small, produced eviscerated poultry in plants not acceptable to the Army. The order was amended in March 1945 to relax the restrictions on eviscerators. This created a new group of "limited poultry eviscerators," who were permitted to draw and sell for domestic account a quantity of





poultry equal to their average weekly production for this purpose in 1944 but were not to exceed 10,000 pounds each week. A quantity not to exceed 3,000 pounds each week for domestic account was permitted without reference to production in an earlier year. This relaxation of the order with reference to "limited poultry eviscerators" made it necessary also to permit "authorized poultry eviscerators" to sell up to 10,000 pounds of eviscerated poultry each week for domestic account.

By July 1, 1945, sixty-two poultry canners were authorized, although a few had not canned chicken or turkey during the period of their authorization. At the same time, sixty plants were authorized to eviscerate poultry under the supervision of the Poultry Inspection Service of the War Food Administration for use by the Army.

#### MARKET NEWS

Timely information on dairy and poultry products continued to be regularly collected and published during the year. This market news information covered supply, demand, movements, prices, price-quality relationships and other related market developments for use in planning and conducting marketing operations.

The dairy and poultry market news service at New Orleans was re-established on July 1, 1944, in response to local industry requests. An office had been maintained there during the 1942-43 fiscal year, but was discontinued July 1, 1943 because of reduced funds. Previously the office was operated under a cooperative agreement with the Louisiana State Market Commission, but it is now operated jointly with the Fruits and Vegetables Service in New Orleans.

Leased wire service between Portland and Seattle was also restored on July 1, 1944, having been discontinued a year earlier. A pending Federal-State cooperative agreement with the Washington State Department of Agriculture should provide an even more complete service at Seattle in the future.

Price reporting service on eggs and live poultry at Fort Worth was inaugurated in December 1944. Local newspaper and radio interests previously had experienced difficulty in securing reliable and unbiased price information.

The first step in reporting FOB prices at shipping points was made during the year, involving egg prices at Petaluma, California. Expansion of shipping point price information is in prospect, and packing plants in the Central Western States which have been reporting only their receipts of eggs and live poultry will be requested to report prices paid producers. This type of information is greatly desired by producers and shippers.





During the year, market reports began to include weekly information on local wholesale and retail selling prices of milk and cream. This news supplements the reports on sweet cream prices from New York, Philadelphia, and Boston.

Weekly reports of receipts of eggs and live poultry at primary market receiving stations and packing plants in the Central Western States, were expanded during the year to show a breakdown by States, rather than data for the area as a whole. The new data show average receipts per plant, and the percentages of fowl received each week, - both on a State basis. This report has been of special interest and value during the war period, because of the unusual conditions surrounding the supply of and demand for eggs and poultry and because of the unusual trade movements. Response of the poultry industry to increased production has been reflected in the information contained in these week-to-week releases.

Reporting of the dressed poultry market was inaugurated at Philadelphia, New York, and Boston during the year.

Information on weekly retail movements of eggs was developed by the Los Angeles office during the year, and butter will be added in the near future. The basic data for these reports is secured from sample groups and dealers who supply retailers and from large retail distributing companies. The combined reports of quantities of eggs moved direct to retail stores by such agencies give a close-up of current consumption, and appear to be the most satisfactory method of doing so regularly on a wide scale.

Weekly reviews of egg and poultry markets which had just been initiated at the beginning of the year, were continued. The markets covered in this review include New York, Philadelphia, Boston, Washington, Chicago, Denver, New Orleans, Fort Worth, Birmingham, Mobile, Montgomery, (Ala.), San Francisco, Los Angeles, Portland, and Seattle.

The "Weekly and Monthly Dairy Markets Reviews" have been extended in coverage to include all of the major dairy products. New sources and types of information have been developed in the local markets. The reviews now cover fluid milk, cream, butter, cheese, evaporated milk, non-fat dry milk solids, and casein. As conditions warrant and facilities permit, butterfat in churning cream, foreign types of cheese, and ice cream mix will be covered.

A brief monthly review for the local market only has been started recently in one market and will be extended to all markets as soon as possible. Such a review can deal with immediate situations, which sometimes differ from the general market situation. Except for unusual conditions, general reviews of a given commodity market situation do not usually lend themselves to discussing individual market developments, and for this reason, local reviews are helpful.

Market reports were utilized to an increased degree during the year as a means of disseminating information regarding food orders and other regulations of importance to dairy and poultry interests. Field offices generally are now calculating monthly price averages for the commodities



covered in the local reports, and carrying the information on an early issue of the "Daily Market Report" following the close of each month.

The channels through which truck shipments to terminal markets are moving have apparently undergone more than the usual number of changes during recent months. While the extent to which these changes influence accuracy probably never will be known, it is certain that established receivers have lost shippers to competitive outlets. These new outlets must first be ascertained and arrangements made to obtain information regularly, before such shipments can be included in receipts.

A daily report showing Army purchases of eggs was released at Chicago during the early part of the fiscal year, as a means of informing producers and dealers of prices paid at different shipping or delivery points over the country. After the egg supply situation became such that all purchases were being made at ceiling levels, this special report was discontinued.

Limited market news on poultry and eggs is provided at Baltimore, Pittsburgh, Denver, New Orleans, and Fort Worth through cooperation with other commodity news services.

Cooperative agreements with the States of California, Michigan, New York, and Virginia covering market news activities were continued during the year. A new cooperative agreement was signed with the Alabama State Department of Agriculture covering a special egg and poultry price reporting service. New cooperative agreements are pending with the States of Iowa and Washington. The Iowa project gives promise of making available additional detailed information relating to primary egg and poultry markets throughout the State. The Washington State project relates primarily to the Seattle market, where a permanent and enlarged market news service is desired by dairy and poultry interests. A special State appropriation was made to help finance a Federal-State service there.

Mailing lists in all market news offices were circularized in order to keep them active and to insure that reports are sent only to persons or firms requesting them. With the advent of the butter and cheese price support programs by the Department of Agriculture, and price control by the Office of Price Administration, the distribution of market reports to creameries, cream stations, and others who are primarily interested in price information was reduced. Such concerns previously comprised a sizable portion of field office mailing lists. Requests for market reports have been received from an increasing number of individual farmers, principally poultry producers.

The following shows the result of a survey made to determine the proportionate number going to classes of individuals and concerns.

Producers.....	31.3
Dealers.....	31.2
Processors.....	15.3
Professional & Educational.....	3.7
Retailers.....	3.7
Government Agencies.....	3.7
Cooperatives.....	3.1
Institutions & Restaurants.....	2.2
All others.....	5.8





Developments incident to the war, and the resulting changed conditions in the field of marketing and distribution have changed the importance as well as the functions of market news programs. The expanded consumer demand for dairy and poultry products, the increasing needs of the Armed Forces, the Government lend-lease procurement program, regulations such as price control, food orders, set-aside orders, etc., together have caused many shifts in marketing channels. Necessarily, some shift of emphasis in types of price information had taken place, and a start had been made in measuring movements of products into direct consumption at a point beyond the wholesale trading level.

The scarcity of products was an outstanding feature of dairy and poultry markets during most of the past year. As a result, a tight market price situation prevailed much of the time. In the case of butter and cheese, there were no price changes of consequence. Supported on the one hand by the Government buying program, and held down on the other hand by maximum price regulations of the Office of Price Administration, prices were well maintained at a constant level. There was some variation below ceiling levels in prices of certain dry milk products. On eggs and poultry, during a portion of the year, supplies were so plentiful that prices dropped below established ceilings. In the latter part of the year, however, the supply situation was one of relative scarcity. Aggressive Government buying continued, with additional set-aside requirements on poultry and the execution of food priorities on eggs, in order to guarantee required food supplies for military needs.

Although various wartime conditions during the past year have hampered normal market news activities, plans are being made for improving and expanding the market news coverage to more adequately meet the needs of the industry in the post-war period.

Among the new projects under consideration are full-scale reporting services on dairy and poultry products at Detroit, St. Louis, Kansas City, Fort Worth, Atlanta, and Cincinnati. The specific needs of these markets have been surveyed.

#### INSPECTION AND GRADING

All inspection and grading of dairy and poultry products during the past fiscal year continued on a self-supporting basis. Services of various State Departments of Agriculture have been available by means of Federal-State cooperative agreements in order to adequately handle the volume of work involved. With the exception of Wisconsin and Nevada, such agreements are now in force and effect in all States. The agreement with the Georgia State College of Agriculture was terminated June 30, 1943, but effective March 1, 1945, another agreement (AMA(A)-80) became effective with the Georgia State Department of Agriculture. The work in Wisconsin is carried on through an agreement other than with the State Department of Agriculture and the Extension Service. In the State of Nevada a special agreement covering only the grading of turkeys is in effect. This cooperation with the States is resulting in a wider acceptance of the grading service.



Work started last year in connection with the War Shipping Administration was extended to include Boston, Massachusetts; Jacksonville, Miami, and Tampa, Florida; Mobile, Alabama; Beaumont and Port Arthur, Texas; and San Diego California. In addition, arrangements were completed whereby grading service was rendered to the War Shipping Administration at country shipping points, enabling them to purchase both dairy and poultry products on a graded basis f.o.b. shipping point.

Inspection for condition of damaged and over aged dairy products was expanded during the year. This related to the inspection of evaporated milk and dried eggs, which had been stored and held for a considerable period of time.

Heavy Government purchase programs of dry milk meant continued increase in samplings and gradings on that product. These inspections also involved a number of sanitary inspections at plants producing milk offered to the Government. These sanitary inspections were mainly at plants that were having an appreciable quantity of product rejected. As a result of this work, development of minimum requirements for facilities, operations, methods, and raw materials for dry milk plants is now under way. Consideration is also being given towards perfecting plans for the grading and identification of dry milk with an official U. S. grade certificate for commercial trading purposes.

Grading of dairy products performed for the OPA continued heavy during the first half of the fiscal year. As a result of information obtained by the OPA through these gradings, two court cases were instigated, one in Chicago involving two butter dealers, and the other in New York, involving ten butter dealers. In both cases the reliability of the service was questioned but in both instances the courts upheld the dependability of the graders.

In order to achieve greater uniformity of interpretation of dairy products standards, invitations were extended to the Army's national dairy products supervisors to attend a grading school conducted for regular area supervisors. Several Army supervisors attended during the week of the school, and several hundred samples of butter and cheese were graded at different points, including Chicago, Illinois; Green Bay, Wisconsin; and the Twin Cities in Minnesota. The correlation of grading by the Army supervisors and those of OMS was found to be quite satisfactory.

Heavy Government purchase programs of processed cheese meant increased checking of that operation under Government supervision. Studies are being conducted of the rejections to determine the relationship between processed cheese quality and operating methods. Checkups are also being made on keeping quality of processed cheese. U. S. standards for grades of processed cheese are being studied which would permit processed cheese to be packaged and merchandised with consumer labels identifying the U. S. grade.

Minimum requirements are being developed for facilities, sanitation, and operating methods in creameries manufacturing butter intended for merchandising with certificates of quality carrying U. S. grade identification. While such requirements are not likely to be put into effect immediately, they will be helpful in the Government certified program on butter in the post-war period.

Condition inspections were made of the majority of eggs which were purchased under the price-support program in order to determine their general





quality and condition. This information was used by the Commodity Credit Corporation in determining the best disposition to be made of the product purchased.

Regardings were made of all storage shell eggs that had been previously purchased on a graded basis and when such eggs were offered for sale the re-grading of such eggs was used as a basis for establishing the sale price. Large quantities of shell eggs owned by the CCC were processed into frozen eggs, to be subsequently used for drying purposes. All breaking operations in connection with this program were continued under our supervision. Supervisors of breaking operations were placed in the various plants. A large number of condition inspections of frozen eggs were required at the time of arrival at warehouses. These inspections were primarily for the purpose of determining any damage in shipment and to assist the Shipping and Storage Branch in determining any liability for such damage.

All frozen eggs owned by the CCC were examined for condition at the warehouses prior to shipment to drying plants. Many of these frozen eggs were examined in order to make complete segregation of satisfactory from unsatisfactory product. Information obtained from these examinations has been helpful in establishing more adequate procedures for the supervision of egg breaking operations, which now include examination of the product immediately after freezing in order to establish any changes which may have occurred in quality prior to the issuance of covering certificates.

The laboratory at Chicago began bacteriological examination of dried and frozen eggs during the year. This includes microbiological plating, direct count, as well as tests for presence of E. Coli. The facilities made available for such bacteriological examinations may be extended to other products. These bacteriological examinations were also used as a basis of determining compliance with sanitary requirements in egg drying plants. With the decline in purchase of dried and frozen eggs for Lend-lease purposes, a number of firms which had previously used supervision only for sales to Government agencies have entered into contracts for this service in connection with processing of product for commercial use. A rather wide industry demand may develop for this service in connection with commercial egg breaking and freezing operations.

The inspection of poultry and poultry products was expanded materially by the issuance of War Food Order No. 125, covering canned poultry for the military. Trends in the use of eviscerated poultry in previous years have been in the direction of increased quantities of inspected eviscerated product for sale as such. However, the quantity of eviscerated poultry packed for this purpose during the past year was considerably smaller than in previous years due largely to the Army program. Under the Army program the total number of plants under inspection increased from 74 plants on July 1, 1944, to 92 plants on June 15, 1945. The total quantity of poultry inspected during this period was approximately 28 million pounds more than for the same period in the previous year. Poultry inspection service is now being furnished in Massachusetts, New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, Minnesota, Wisconsin, Michigan, Illinois, Indiana, Missouri, Arkansas, Kentucky, South Dakota, Nebraska, Iowa, Kansas, Oklahoma, Washington, Oregon, California, and Utah. The following figures give a comparative basis of increase in pounds of poultry inspected during 1943 and 1944 and the amount which will probably be inspected in 1945.

<u>1943</u>	<u>1944</u>	Partly estimated <u>1945</u>
168,855,548	180,629,751	208,334,806





During the past year several meetings were held with representative groups of the eviscerated poultry industry with a view to establishing closer working relationships with the program as it is formulated by the Office of Marketing Services and problems developing with industry in the execution of this program. On the advice of these industry groups, a Technical Committee was appointed of outstanding research workers in the poultry field. The committee will serve as a means of studying problems arising in connection with condemnations of diseased poultry and other related problems in connection with the inspection of eviscerated product.



COMPARATIVE STATEMENT OF INSPECTIONS AND  
GRADINGS ON DAIRY AND POULTRY PRODUCTS

Commodity	Fiscal year 1943	Fiscal year 1944	Fiscal year 1945 (Partly estimated)
	Pounds	Pounds	Pounds
Butter	443,494,164	358,069,786	218,621,872
Cheese	216,391,348	294,092,526	195,562,212
Eggs (cases) <u>1/</u>	5,550,894	10,179,543	12,159,257
Dressed poultry <u>2/</u>			
(Shipping point & terminal markets)	44,950,843	91,458,617	105,175,072
Dressed poultry <u>3/</u>			
(Inspected for condition and wholesomeness)	168,855,548	180,629,751	208,334,806
Live poultry <u>4/</u>	1,511,331	18,514,926	350,669
Dressed turkeys	67,124,483	43,729,812	41,739,528
Frozen eggs - graded <u>5/</u>	21,682,142	12,177,392	7,609,501
Frozen eggs - inspected <u>6/</u>	6,987,043	4,532,606	89,007,534
Dry milk	290,333,338	360,199,437	379,615,915
Evaporated milk (cases)	8,084,123	14,400,193	12,681,194
Dried eggs <u>7/</u>	227,741,197	261,558,327	172,325,919
Butter oil	-	14,217,531	5,500,000
Butter for butter oil	-	20,299,091	5,000,000
Carter's Spread	-	44,712,481	2,000,000
Butter for Carter's Spread	-	39,538,104	1,041,334

- 1/ Requests for check-grading of shell eggs purchased by the Government under price support programs resulted in considerably heavier gradings in 1945 than in either of the previous years.
- 2/ Sharp increases are due to requests from the War Shipping Administration covering grading for that agency.
- 3/ Increases in volume are partly due to cooperation with the Armed Forces in the preparation of canned product.
- 4/ Heavy gradings were the result of increased OPA activities in connection with price enforcement. No requests were received from the OPA in this connection in 1945.
- 5/ Since these frozen eggs were produced under our supervision, it resulted in a sharp decline of frozen eggs graded in 1945 compared with 1943 and 1944.
- 6/ Increases were due to request to examine all frozen eggs held by the Government which were prepared from shell eggs purchased early in the year under price support programs.
- 7/ Accumulated supplies of this product from the previous year, plus changes in commitments, resulted in lower quantities being dried in 1945 than in 1943 and 1944.

Note: Changes in volume of product graded were in most instances brought about by changes in policy relating to purchase of these products for Lend-Lease and the Armed Forces.

